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To: County Offices of Education
Attention: Chief Business Officials

From: Janet Sterling, Director
School Fiscal Services Division

Subject: 2000-01 First Quarter Lottery Apportionment and Revenue Projections

The 2000-01 first quarter lottery apportionment was distributed by the State Controller's Office (SCO) on January 2, 2001. The total amount being apportioned to K-12 school districts and county offices of education is \$210,193,996.22 or \$33.72 (\$33.716783558) per unit of average daily attendance (ADA) for the regular unrestricted lottery apportionment. The first quarter payment also includes an adjustment for 1998-99 retroactive Proposition 20 calculations and an adjustment to reallocate lottery funds for the first three quarters of 1999-00 separately to charter schools. These adjustments are discussed in detail below.

Enclosed is the Remittance Advice and a copy of the "Lottery Educational Apportionment System Master Register" (Master Register). Although the amount paid includes adjustments for prior years which do include Proposition 20 amounts, the SCO was unable at this time to separately identify the Proposition 20 portion and the non-Proposition 20 portion of the adjustment amounts on the Master Register. Each county office, district, and charter school will receive separate remittance advices from the SCO which identify the portion of the adjustments related to Proposition 20 and therefore restricted for the purchase of instructional materials. The Master Register includes the following information:

- **Average Daily Attendance:** The average daily attendance used is the annual ADA reported for the 1999-00 fiscal year with a statewide adjustment factor of 1.04446 percent used to adjust K-12 attendance to compensate for the elimination of excused absences. Charter school ADA is now listed separately from the chartering district or county office.
- **Apportioned Amount:** The amount apportioned on January 2, 2001 is for the first quarter (July - September) of the 2000-01 fiscal year. The amount apportioned is regular unrestricted lottery revenue only (non-Proposition 20). The Proposition 20 apportionment for the 2000-01 fiscal year will not be calculated until the fourth quarter since the amount is dependent on the growth in statewide lottery revenues for the year.
- **Revenue Adjustment Amount:** Additional revenue from the 1999-00 fiscal year is made available for redistribution. The California State Lottery Commission previously withheld

these monies pending an audit of their year-end financial statements. Revenue adjustments equaled \$2,867,701.06. Of this amount, \$1,433,850.65 or \$.18 per ADA is unrestricted lottery revenues and \$1,433,850.41 or \$.20 per ADA is for Proposition 20. The SCO was unable at this time to separately identify the Proposition 20 portion and the non-Proposition 20 portion of this adjustment on the Master Register. These amounts are identified separately on the remittance advice sent to each county, district, and charter school.

- **ADA Adjustment Amount:** This amount is comprised of the following adjustments:

1998-99 Proposition 20 Adjustment

Proposition 20 states that beginning in 1998-99, fifty percent of any growth in statewide lottery funds for education over the 1997-98 base fiscal year would be allocated to school districts and community colleges for instructional materials. Although Proposition 20 was enacted after 1998-99, the SCO determined that it should be applied retroactively to the 1998-99 fiscal year.

The 1998-99 Proposition 20 adjustment for K-12 and community colleges totaled \$32,004,027.24 or \$4.50 per ADA (based on 1998-99 ADA). This adjustment is effectively a re-designation of 1998-99 lottery revenue that was unrestricted. A small portion of the adjustment is new revenue that was previously allocated to other educational agencies. The 1998-99 adjustments are included in the current year first quarter lottery payment. The Master Register does not list the Proposition 20 adjustment separately from the unrestricted lottery adjustments. However, the remittance advice for 1998-99 should identify the Proposition 20 adjustment amount. The easiest way to comply with the requirements of Proposition 20 would be to spend the amount identified as the 1998-99 Proposition 20 adjustment in the current year on instructional materials. However, if the LEA chooses, they may use 1998-99 expenditures to meet the requirements rather than current year funds if they have documentation to support that there were expenditures of lottery funds for instructional materials in 1998-99.

1998-99 ADA Audit Corrections

The adjustment amount includes any 1998-99 ADA corrections due to audit exceptions. The new rates for the 1998-99 fiscal year are \$114.69 per ADA for the regular lottery apportionment and \$4.50 per ADA for Proposition 20.

1999-00 Annual ADA Adjustment

During the 1999-00 fiscal year, lottery revenues were allocated based on the 1998-99 annual ADA. Because the 1999-00 annual ADA is now available, the apportionments for the 1999-00 fiscal year are recomputed. The adjustments resulting from these computations are included in the 2000-01 first quarter lottery payment. To compute the 1999-00 Annual ADA adjustment for your county or district:

- 1) Multiply your 1998-99 ADA (as adjusted for the statewide factor of 1.04446) by the old 1999-00 rates of \$117.88 for the unrestricted lottery apportionment and \$7.49 for the Proposition 20 apportionment. This is the amount apportioned to your county or district during the 1999-00 fiscal year.
- 2) Multiply your 1999-00 ADA (as adjusted by 1.04446) by the new 1999-00 rates of \$115.30 for the unrestricted lottery apportionment and \$7.33 for Proposition 20. This is the amount that should have been apportioned to your county or district during the 1999-00 fiscal year.
- 3) The difference between the two calculations will equal your ADA adjustment amount for the 1999-00 fiscal year.

Charter Schools Adjustment

The first quarter payment was adjusted to reallocate funds for the first three quarters of 1999-00 to charter schools. The funds were previously allocated to the chartering district or county office of education. Districts and county offices will have a corresponding reduction to their allocation. Charter school funding for the fourth quarter of 1999-00 was separately allocated in the fourth quarter apportionment.

- **Paid Amount:** The "paid amount" listed on the Master Register is the amount paid on January 2, 2001 by the State Controller's Office. The amount paid includes adjustments and, therefore, differs from the amount apportioned.

2000-01 Lottery Revenue Projections

The Lottery Commission is projecting sales of \$2.85 billion, which would provide education lottery recipients with approximately \$1.025 billion. Actual sales for the year to date have been tracking closely with the projections. We estimate that the lottery will provide about \$119 per ADA for unrestricted lottery revenues and \$11 per ADA for Proposition 20 for the fiscal year 2000-01 apportionment.

If you have any questions or if we can be of further assistance, please contact Janet Finley at (916) 323-5091 or by e-mail (jfinley@cde.ca.gov) or Scott Hannan at (916) 327-0538 or by e-mail (shannan@cde.ca.gov).

Enclosures